

Message Text

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ORIGIN EB-07

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E.O. 11652: N/A

TAGS: EAIR, AS

SUBJECT: CIVAIR - USER CHARGES

REF: A)76 MELBOURNE 1965 B) 76 CANBERRA 3166

1. PAN HAS INFORMED THE DEPARTMENT OF TRANSPORTATION
(DOT) OF THE MARCH 26-APRIL 2 IATA CHARGES WORKING GROUP
MEETING HELD WITH THE AUSTRALIAN GOVERNMENT (GOA). IT
APPEARS THE MEETING WAS QUITE SUCCESSFUL IN IMPROVING THE
ALREADY GOOD RELATIONSHIP BETWEEN IATA AND THE AUSTRALIAN
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GOVERNMENT (GOA). MAJOR POINTS MADE AT THE MARCH 31
DISCUSSIONS WITH TRANSPORT MINISTER NIXON WERE:

A. THE AIRLINES CLAIMED THAT THEY (THE INTERNATIONAL
CARRIERS) WERE PAYING MORE THAN 100 PERCENT OF THEIR COSTS.
MINISTER NIXON SAID THAT IT WAS NOT GOVERNMENT POLICY TO
OVER-RECOVER FROM ANY USER;

B. THE AIRLINE AGREEMENT WHICH TIES THE FEE STRUCTURE FOR
INTERNATIONAL OPERATORS TO THAT FOR THE DOMESTIC CARRIERS

(ANSETT AND TRANS AUSTRALIA) ENDS IN JUNE, 1978;

C. GENERAL AVIATION COULD NOT ACHIEVE 100 PERCENT COST RECOVERY WITHOUT CRIPPLING ITSELF, SO THIS BURDEN WOULD HAVE TO BE ASSUMED BY THE GENERAL TAXPAYER (POINT MADE BY NIXON);

D. GOA POLICY CALLED FOR 80 PERCENT COST RECOVERY FROM ALL MODES OF TRANSPORTATION;

E. RENTS - NIXON RECANTED EARLIER STATEMENT THAT GOVERNMENT AGENCIES SHOULD PAY FOR THEIR OWN AIRPORT SPACE. HE WAS IN FAVOR OF A REASONABLE SOLUTION BUT DID NOT WANT TO DISCUSS THE CASE WHILE IT IS IN LITIGATION.

F. FUEL - AUSTRALIA PLANS TO ESTABLISH ITS PRICE AT WORLD PARITY. IATA CAN NOT OBJECT TO THIS, BUT HAS POINTED OUT THE ECONOMIC IMPACT ON THE INTERNATIONAL AIRLINES.

G. METEOROLOGY - 100 PERCENT OF THE COST IS ATTRIBUTED TO AVIATION AND THE GOA DOT SEEMS TO RECOGNIZE THE INEQUITY. PAN AM GOT THE IMPRESSION AT THE MEETING LIMITED OFFICIAL USE
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THAT 3-4 MILLION OF THE 10 MILLION COST WILL BE REALLOCATED AWAY FROM AVIATION.

2. PAN AM FURTHER REPORTS THAT ALTHOUGH NO PROMISES WERE MADE, IT WAS UNDERSTOOD THAT SINCE INTERNATIONAL AIRLINES WERE OVER 100 PERCENT RECOVERY, THE GOA MAY BE ABLE FOR SOME TIME TO AVOID INCREASING USER FEES FOR THESE AIRLINES. GOA AGREED TO MEET WITH THE IATA GROUP IN JULY BEFORE THE BUDGET WAS CLOSED IF ANY PROBLEM SURFACES.

3. THE AUSTRALIAN GOVERNMENT HAS SEVERAL TIMES BEEN MADE AWARE OF OUR CONCERNS ABOUT THESE ISSUES, MOST RECENTLY DURING THE DISCUSSIONS REPORTED IN REF A AND BY THE LETTER FROM FORMER SECRETARY COLEMAN TO MINISTER NIXON OF DECEMBER 17, 1976 (COPIES BEING FORWARDED TO CANBERRA AND MELBOURNE). MOREOVER, WASHINGTON AGENCIES ARE VERY PLEASED THAT THE GOA IS MAINTAINING UNUSUALLY GOOD COMMUNICATIONS WITH THE INTERNATIONAL AIRLINES AND WOULD BE RELUCTANT TO JEOPARDIZE THAT STATE OF AFFAIRS. NEVERTHELESS, SUBJECT TO EMBASSY'S COMMENTS, IT APPEARS OPPORTUNE TO APPROACH THE AUSTRALIAN AUTHORITIES ONCE AGAIN, THIS TIME IN LOW KEY. SUGGEST FOLLOWING TALKING POINTS:

A. AIR NAVIGATION CHARGES: AS YOU KNOW WE ARE VERY

PLEASED THAT YOU DECIDED TO REVISE THE AIR NAVIGATION CHARGES TO TAKE ACCOUNT OF THE DIFFERING DISTANCES OVER WHICH NAVIGATION SERVICES ARE PROVIDED. WE ALSO WELCOME THE FRANK DISCUSSIONS WHICH HAVE TAKEN PLACE IN RECENT MONTHS BETWEEN THE AUSTRALIAN AUTHORITIES AND THE AIRLINES. YOU KNOW TOO, FROM OUR DISCUSSIONS LAST OCTOBER AND FROM FORMER SECRETARY COLEMAN'S DECEMBER LETTER TO THE MINISTER, THAT WE ARE VERY CONCERNED THAT THE INTERNATIONAL AIRLINES AS A GROUP ARE PAYING MORE THAN 100 PERCENT OF PROPERLY ALLOCATED COST. CAN YOU
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ASSURE ME THAT THERE WILL BE NO FURTHER INCREASE IN THE CHARGES FOR INTERNATIONAL FLIGHTS? (FYI: PAN AM BELIEVES THAT THE INTERNATIONAL AIRLINES ARE ALREADY PAYING BETWEEN 114 AND 140 PERCENT OF COST. THE COLEMAN LETTER MAKES CLEAR THAT UNREASONABLY EXCESSIVE CHARGES COULD LEAD TO COMPENSATORY CHARGES. END FYI.)

AS THE MINISTER TOLD THE AIRLINES LAST MARCH, IT IS THE GENERAL TAXPAYER WHO MUST BEAR THE BURDEN IF ONE SEGMENT OF AVIATION, SUCH AS GENERAL AVIATION, CANNOT COVER THE COSTS ATTRIBUTABLE TO IT.

B. TERMINAL RENTS: THE UNITED STATES BELIEVES THAT TERMINAL RENTS, LIKE OTHER AVIATION CHARGES, SHOULD NOT EXCEED PROPERLY ALLOCATED COST. THE PROPOSED SIX-FOLD INCREASE IN PAN AM'S ANNUAL RENT AT SYDNEY AIRPORT DOES NOT APPEAR TO REFLECT COSTS, SINCE THE NEW RATE WOULD BE 56 DOLLARS PER SQUARE FOOT, COMPARED WITH THIRTEEN DOLLARS PER SQUARE FOOT IN DOWNTOWN SYDNEY. IF THE COURTS ALLOW THE INCREASE TO STAND, I HOPE THAT THE AUSTRALIAN AUTHORITIES WILL BE PREPARED TO PROVIDE THE AFFECTED AIRLINES WITH INFORMATION FULLY JUSTIFYING THE NEW LEVEL, OR TO ADJUST IT. OUR AIRLINES HAVE ASKED FOR U.S. GOVERNMENT ASSISTANCE IN THIS MATTER UNDER THE FAIR COMPETITIVE PRACTICES ACT, BUT HOPEFULLY THAT WILL NOT BE NECESSARY. (FYI: WE UNDERSTAND THAT THE COURT ACTION REPORTED IN REF B HAS SINCE BEEN OVERRULED, AND THAT THE OVERRULING ITSELF HAS BEEN APPEALED. A RULING ON THE APPEAL WAS EXPECTED THIS SPRING, BUT APPARENTLY HAS NOT YET BEEN MADE. END FYI.)

C. METEOROLOGY: (AFTER EMBASSY HAS CONFIRMED THAT THE GOA PLANS TO REALLOCATE SOME METEOROLOGY COSTS AWAY
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FROM AVIATION.) WE WELCOME THE AUSTRALIAN DECISION TO

ALLOCATE SOME METEOROLOGY COSTS TO NONAVIATION USERS
WE FEEL EACH USER SHOULD PAY ITS FAIR SHARE OF SYSTEM

COSTS. ANY SUBSIDY SHOULD COME FROM TAX REVENUES, NOT
OTHER USERS.

4. IF POSSIBLE IN COURSE OF DISCUSSION UNDER 3.A.
ABOVE, WE WOULD APPRECIATE LEARNING AUSTRALIAN REACTION
TO COLEMAN LETTER, WHICH TOOK MUCH THE SAME LINE AS
PROPOSED TALKING POINT.

5. WOULD APPRECIATE ANY INFORMATION EMBASSY CAN DEVELOP
ON STATUS OF TERMINAL RENT COURT CASES AND PROBABLE
DATE OF RULING.

6. TALKING POINTS ABOVE DO NOT INCLUDE ONE ON FUEL
BECAUSE INFORMATION PROVIDED BY PAN AM DOES NOT MAKE
CLEAR WHETHER AUSTRALIA INTENDS TO HAVE ALL DOMESTIC
FUEL PRICES REACH PARITY WITH COMPARABLE WORLD PRICES,
TO HAVE ONLY THE PRICE OF JET FUEL SOLD FOR USE IN
INTERNATIONAL SERVICE REACH PARITY, OR SOMETHING IN
BETWEEN. NOR DO WE HAVE CLEAR IDEA OF MECHANISM
AUSTRALIANS PLAN TO USE. WE WOULD APPRECIATE ANY
INFORMATION EMBASSY CAN DEVELOP ON THESE POINTS.

7. IN MEANTIME EMBASSY MAY, IF APPROPRIATE, TAKE
FOLLOWING LINE: WE CAN UNDERSTAND AUSTRALIA'S DESIRE
TO HAVE DOMESTIC FUEL PRICES REFLECT WORLD FUEL PRICE
LEVELS. INDEED, PRESIDENT CARTER'S PROGRAM INCLUDES A
PROPOSAL TO DO JUST THAT IN THE UNITED STATES OVER THE
NEXT FEW YEARS. HOWEVER, THE RESULTING INCREASE IN THE
PRICE OF JET FUEL WILL HAVE A SIGNIFICANT IMPACT ON THE
AIRLINES, AND WE HOPE THAT AUSTRALIA TOO WILL MAKE THE
CHANGE GRADUALLY, SO THAT THE AIRLINES WILL HAVE MORE
TIME TO ADJUST. CHRISTOPHER
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Disposition Approved on Date:
Disposition Case Number: n/a
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